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Message Text

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ACTION AGRE-00

INFO OCT-01 EA-07 ISO-00 EUR-12 EB-08 COME-00 OMB-01
TRSE-00 STR-04 AF-08 CIAE-00 INR-07 NSAE-00 /048 W
----------240224 020404 /64
R 240034Z FEB 77
FM AMEMBASSY MANILA
TO SECSTATE WASHDC 6323

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PASS USDA/FAS, MCCONNELL, SUGAR & TROPICAL PRODS, FCA

E O 11652: NA
TAGS: EAGR, RP
SUBJ: PNB SUMMARIZES RECENT SUGAR SALES

1. SUMMARY. ON FRIDAY, FEBRUARY 8, PANFILO DOMINGO, PRESIDENT OF PHILIPPINE NATIONAL BANK (PNB), BRIEFED NEWSPAPERMEN ON PROJECTED PHILIPPINE SUGAR EXPORTS IN 1977. ACCORDING TO DOMINGO, THE PHILIPPINES WILL EXPORT 2.4 MILLION M.T. OF SUGAR VALUED AT ABOUT $460 MILLION THIS YEAR. REPORTEDLY, THERE IS 2.8 - 3.0 MILLION TONS OF EXPORTABLE SUGAR NOW OWNED BY PHILIPPINE EXCHANGE CORP. (PHILEX) BUT ONLY 2.4 MILLION TONS CAN BE EXPORTED BECAUSE OF LIMITED LOADING CAPACITY. TO CORRECT THE PROBLEM AND TO INCREASE SUGAR SHIPMENTS, PNB PLANS TO EXPAND ITS WAREHOUSE AND TERMINAL FACILITIES IN ILOILO AND PULUPANDAN. DOMINGO STATED THAT PESO 42 MILLION HAS BEEN SPENT BY PNB TO IMPROVE FACILITIES AT THESE LOCATIONS. END SUMMARY.

2. DOMINGO GAVE THE FOLLOWING SUMMARY OF PHILIPPINE EXPORT COMMITMENTS:

(A) RUSSIA HAS CONTRACTED FOR 550,000 M.T. OF RAW SUGAR FOR DELIVERY THIS CROP YEAR. THE SOVIETS HAVE AN OPTION TO BUY AN ADDITIONAL 550,000 M.T. BUT THE OPTION EXPIRES IN JUNE. TO DATE,
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THE SOVIETS HAVE EXERCISED PART OF THE OPTION AND HAVE PURCHASED AN ADDITIONAL 10 PERCENT BRINGING THE TOTAL TO 600 - 610,000 M.T.

(B) BEGINNING THIS MONTH, PHILIPP BROTHERS WILL PURCHASE 220,000 M.T. OF RAW SUGAR A YEAR DURING THE NEXT THREE YEARS (660,000 M.T.). THE FIRM HAS AN OPTION TO INCREASE YEARLY SHIP-MENTS BY 10 PERCENT;

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(C) AMEROP, FARR MAN AND TATE AND LYLE HAVE CONTRACTED TO BUY 5000,000 M.T. OF RAW SUGAR FOR DELIVERY IN 1977 WITH AN OPTION TO BUY AN ADDITIONAL 250,000 M.T.;

(D) GREAT WESTERN HAS CONTRACTED FOR 317,500 - 589,700 M.T. OF RAW SUGAR A YEAR FOR THE NEXT FIVE YEARS;

(E) SUCREST HAS CONTRACTED TO BUY 500,000 - 589,000 M.T. OF RAW SUGAR A YEAR FOR THE NEXT FIVE YEARS;

(F) IMPERIAL HAS CONTRACTED FOR 136,000 - 270,000 M.T. OF RAW SUGAR A YEAR FOR THE NEXT FIVE YEARS;

(G) ALGERIA HAS PURCHASED 190,000 - 270,000 M.T. OF REFINED SUGAR TO BE DELIVERED IN 1977; AND

(H) PRC PURCHASED 200,000 M.T. OF RAW SUGAR.

DOMINGO GAVE NO FURTHER INFORMATION ON THE PRICE FOR EACH SALE, BUT HE WAS QUOTED AS SAYING THAT THE PRICE IS BASED ON DIFFERENT SETS OF FORMULAS USING THE CURRENT MARKET PRICE AND A SETTLEMENT PRICE AS GUIDELINES.

3. COMMENT. THE CONTRACTS WITH GREAT WESTERN AND SUCREST ARE BEING RENEGOTIATED AND ARE EXPECTED TO BE FINALIZED NEXT MONTH. ACCORDING TO TRADE SOURCES, THE CONTRACT WITH PHILIPP BROTHERS HAS NOT BEEN FINALIZED. MOST OF THE REFINED
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SUGAR SPECIFIED IN THE CONTRACT WITH ALGERIA HAS BEEN SHIPPED. HOWEVER, SHIPMENTS WERE SO HEAVY DURING DECEMBER AND JANUARY THAT DOMESTIC INDUSTRIAL USERS EXPERIENCED SHORTAGES. CARNATION, INC., THE SECOND LARGEST DOMESTIC SUPPLIER OF CONDENSED MILK, WAS FORCED TO SHUT DOWN OPERATIONS FOR A SHORT PERIOD OF TIME. THE DAILY EXPRESS REPORTED THAT THE 200,000 M.T. PURCHASED BY THE PRC WOULD BE SHIPPED THIS YEAR. HOWEVER, AS EARLIER REPORTED, TRADE SOURCES INDICATE THAT THE CONTRACT SPECIFIES 50,000 M.T. A YEAR FOR THE NEXT FOUR YEARS. SUSPICION EXISTS THAT PART OF THE SALE TO THE PRC MAY BE "DOUBLE COUNTED" AND ALSO INCLUDED AS PART OF THE FARR MAN/AMEROP SALE. FINALLY, DOMINGO DID NOT MENTION A SMALL REFINED SUGAR SALE TO NIGERIA. RECENT DISCUSSIONS AT VICTORIAS MILLING CO. INDICATE THAT THEY SHIPPED 5,000 M.T. TO NIGERIA AND ARE PROCESSING ANOTHER 10,000 M.T. FOR SHIPMENT THIS YEAR. END COMMENT.

4. DOMINGO PREDICTED THAT SUGAR PRODUCTION IN 1977-78 WOULD DROP 20 PERCENT.

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ACTION AGRE-00

INFO OCT-01 EA-07 ISO-00 EUR-12 EB-08 COME-00 OMB-01
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R 240034Z FEB 77
FM AMEMBASSY MANILA
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5. COMMENT. IT WILL BE DIFFICULT, IF NOT IMPOSSIBLE, FOR PHILEX TO SHIP 2.4 MILLION M.T. OF SUGAR THIS CROP YEAR. FROM SEPTEMBER 1 TO JANUARY 31, EXPORTS TOTALED 496,582 M.T. TO ACHIEVE A GOAL OF 2.4 MILLION M.T., OVER 244,990 TONS A MONTH WILL HAVE TO BE SHIPPED FOR THE REMAINING SEVEN MONTHS OF THE YEAR. BASED ON PAST PERFORMANCE, LIMITED HANDLING FACILITIES, THE RAIN AND TYPHOON SEASON WHICH BEGINS IN MAY, AND PHILEX'S INEXPERIENCE, THIS GOAL SEEMS UNATTAINABLE. DISCUSSIONS WITH THE TRADE, INDICATE THAT EXPORTS OF 1.8 MILLION M.T. ARE MORE REALISTIC.

6. EVEN ON A CALANDAR YEAR BASIS IT APPEARS UNLIKELY THAT PHILEX WILL BE UNABLE TO SHIP 2.4 MILLION M.T. IN 1977. AGATTACHE ESTIMATES MAXIMUM SHIPMENTS THIS CALENDAR YEAR AS FOLLOWS:

(1,000 MT)
JANUARY SHIPMENTS (ACTUAL) 82
FEB-DEC SHIPMENTS (ESTIMATE) 1,980
2,062

(ESTIMATE IS BASED ON OPTIMISTIC ESTIMATE THAT SUGAR SHIPMENTS WILL AVERAGE 180,000 A MONTH).

7. PHILIPPINE SUGAR EXPORTS ARE LIMITED BY LOADING FACILITIES. THE TWO MAIN PROBLEMS ARE THAT MOST PORTS ARE UNABLE TO HANDLE VESSELS WITH LARGE CAPACITY (20,000 TONS) AND THAT THE GUIMARAS EXPORT FACILITIES MUST FIRST INLOAD BARGED SUGAR AND THEN OUT-LOAD ONTO OCEANGOING VESSELS, LOADING AT SOME TERMINALS IS ALSO
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CONSTRAINED BY AVAILABILITY OF SUGAR.

8. MARIANO BAUTISTA, GENERAL MANAGER, NATIONAL WAREHOUSE CORP., PNB, VERIFIED DOMINGO'S STATEMENT THAT PNB IS IMPROVING PORT HANDLING FACILITIES. BAUTISTA COULD NOT VERIFY THE PESO 42 MILLION FIGURE QUOTED BY THE PRESS BUT SUMMARIZED RECENT AND PLANNED IMPROVEMENTS AS FOLLOWS: A) A 250-300,000 TON WAREHOUSE WAS CONSTRUCTED AT PULUPANDAN. A NEW OUTLOADING CONVEYOR SYSTEM IS ALSO PLANNED FOR THIS SITE; B) AN OUTLOADING FACILITY AT UPSOMCO (NEGROS); AND C) 20-25,00 TON OUTLOADING WAREHOUSE AT ORMOC. IF NECESSARY FINANCING CAN BE ARRANGED, PNB WOULD ALSO LIKE TO DOUBLE THE HANDLING CAPACITY (INLOAD AND OUTLOAD) AT GUIMARAS IN CONFORMANCE WITH A 1975 FAO RECOMMENDATION. THE AGATTACHE WILL CONDUCT A SURVEY OF PHILIPPINE SUGAR EXPORT CAPACITY TO OBTAIN MORE SPECIFIC INFORMATION.

8. DOMINGO'S SUMMARIZATION OF RECENT SUGAR SALES DID LITTLE TO CLARIFY THE UNCERTAINTY SURROUNDING PHILIPPINE SUGAR EXPORTS. IN FACT, HIS SUMMARY OF EXPORT COMMITMENTS DOES NOT ADD TO 2.4 MILLION M.T. WITHOUT CONSIDERABLE "ARRANGEMENT." HIS COMMENT ON NEXT YEAR'S SUGAR PRODUCTION, HOWEVER, IS THE MOST ACCURATE ESTIMATE REPORTED TO DATE. DISCUSSIONS WITH PRIVATE OFFICIALS INDICATE THAT THERE HAS BEEN ONLY MINOR SHIFTING INTO THE PRODUCTION OF OTHER CROPS DESPITE GOVERNMENT ENCOURAGEMENT AND INCENTIVES TO GROW RICE, CORN, SORGHUM AND OTHER COMMODITIES. APPROXIMATELY 52 PERCENT OF THIS YEAR'S CANE HAS BEEN HARVESTED AND ROUGHLY 10 PERCENT OF THE HARVESTED AREA IS EXPECTED TO BE DIVERTED TO OTHER CROPS. FEWER PRODUCTION IMPUTS (FERTILIZER) AND INCREASED RATIONING COULD RESULT IN A PRODUCTION DECLINE OF ABOUT 20-25 PERCENT. SUGAR PRODUCTION THIS YEAR IS ESTIMATED 2.6 - 2.7 MILLION M.T., APPROXIMATELY 10 PERCENT BELOW LAST YEAR'S PRODUCTION OF 2.875 MILLION M.T. END COMMENT.
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Message Attributes

Automatic Decaptioning: X
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Control Number: n/a
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Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
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Disposition History: n/a
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